

PENSION BOARD MEETING

Wednesday, November 13, 2013
9:00 AM – Fourth Floor Conference Room

MEETING MINUTES

Members Present:

Bill Bruton
Barry Echols
Philip Goldstein
Mike Hathaway

Eric Lockhart
Tim Milligan
Freddy Morgan
Jess Zerbe

Members Absent:

Annette Lewis

Ex-Officio Members:

Shannon Barrett – “Acting” Director, HR
Sam Lady – Director of Finance

1. **Call to Order / Declaration of Quorum**

Chairperson Lockhart

Chairperson Lockhart declared a quorum and called the meeting to order at 9:00 am.

2. **Pension Board Minutes for Approval**

Chairperson Lockhart asked that the Board members review the following four (4) sets of minutes for approval:

- 08.14.13 – Pension Board Meeting
- 08.30.13 – “Special Called” Pension Board Meeting
- 10.10.13 – “Special Called” Pension Board Meeting
- 10.24.13 – “Special Called” Pension Board Meeting

Chairperson Lockhart called for a motion to approve the minutes.

MOTION:

Approval of Pension Board Minutes of 08.14.13 and
“Special Called” Pension Board Meeting Minutes 08.30.13; 10.10.13; 10.24.13

Member Milligan made the motion to approve the meeting minutes as presented.
Second to the motion by Member Bruton
Unanimous by the Board

Chairperson Lockhart prepared a slide presentation of numbers to show a 4.41% Gain.
As of October 2013 - \$89,699,475 vs. July 2013 - \$85,914,658, showing a + \$3,784,817.

3. **3rd Quarter Investment Performance**

Ian Janecek/Scott Arnwine – GAVION

Ian opened with a brief overview of the transition from CSG to GAVION. He pointed out that CSG was owned by 85% *outside* partners. Gavion bought the assets of CSG; they have the same people and same infrastructure and the company is now owned by the employees. There are no structure changes

3. **3rd Quarter Investment Performance**
(Continued)

Ian Janecek/Scott Arnwine – GAVION

He continued by adding that Gavion does their own research internally and there are no revenues for access to data from other sources. Member Milligan questioned if Gavion has a Compliance Officer and/or committee? Ian responded that Miles Fortes is a Partner/CFO and Lori Montgomery is the Equity Owner. All partners vote and all are monitored by their established Research Advisory Board. There are checks and balances in place and the Compliance Committee meets on a monthly basis.

Member Bruton asked about the new name Gavion? Ian responded that is a Spanish word for *foundation* – to build a portfolio.

Ex-Officio Member Sam Lady stated that there had been no vote on the transition from CSG to GAVION. Member Goldstein stated that the entity change from CSG to GAVION will need the Board approval at the next meeting. Ian agreed to provide all the information and will bring a partner to the next meeting to address any further questions.

Ian then passed out business cards to the Pension Board members that contain the new contact and website information. He assured the Board that he and Scott Arnwine would stay transparent and conflict free. Chairperson Lockhart stated that all paperwork would be reviewed at the next Pension Board Meeting.

Ian then began his presentation and handout entitled: "Investment Grade Core Fixed Income". He began with a handout "Universe Comparison" pointing out that YTD the city return rate is at 13% and doing well with 11% YTD.

He referred the Board to **page 2 - Asset Allocation, of the Quarterly Analysis Ending 09.30.13** – equities are a better value and currently at 59.8% - very close to the maximum of 60%. **Page 4 – Performance Summary** – Total Fund: \$87,655,253 up 5.6% and YTD 13%. **Page 5 – Calendar Year** – color chart indicates net income doing very well at 13%.

Scott Arnwine pointed out that all managers have shown out-performance as indicated in the **Cash Flow Summary 09.30.13 (Page 3)**.

	<u>Period Return</u>
Eagle Capital Management	6.49%
Advisory Research Small Mid Cap Value (Energy is up)	9.19%
Westfield Capital All Cap (Health Care is the biggest driver)	10.33%
Energy Opportunities Capital	7.83%
Sage Advisory Core Taxable Fixed Income	0.27%
MacKay Shields Core Investment Grade Fund	0.63%
Victory Investment Grade Convertible Securities (Returns are very good – a little below but solid for the qtr.)	5.77%
TOTAL RETURN:	5.55%

3. **3rd Quarter Investment Performance**
(Continued)

Ian Janeczek/Scott Arnwine – GAVION

Ian added that it will be difficult for bonds to show growth, and that Fixed income convertible funds are up 13.8 YTD.

Member Hathaway asked Ian what were his thoughts on increased interest rates. Ian responded that it is unlikely that they will raise the tapering rates but will use quantitative easing. The rate will increase and we should see it in 2015. However, he stated that there is no federal inflation pressure out there...yet. He added that domestic equities are better than treasury.

Scott Arnwine brought to the attention of the Board that they would recommend that MacKay Shields – Core Fixed Income fund, be replaced. He referred the Board to **page 2 - Manager Data**, for review of the two (2) managers for consideration. He pointed out that both managers do fixed and equity funds. The managers are:

MANAGER DATA		
As of 09.30.2013	<i>Chartwell Investment Partners</i>	<i>Orleans Capital Management</i>
Strategy Name	Core Fixed Income	Investment Grade Core Fixed Income
Location	Berwyn, PA	Mandeville, LA
Ownership	75% Employee Owned	87.5% Employee Owned
Firm AUM	\$6.7 Billion	\$1.8 Billion
Strategy AUM	\$188 Million	\$192 Million
Strategy Inception	01/2004	01/2004
Vehicle Type	Separate Account	Separate Account
Separate Acct. Minimum	\$5 Million	\$2 Million
Fees	30 bps/25 bps	20 bps

Ian commented that Orleans has accounts that they manage in Georgia. Scott added that Chartwell does not manage any State of Georgia plans; but do investment rates only.

See Presentation entitled: Investment Grade Core Fixed Income Presentation
Manager Comments:

Scott pointed out that on **page 3** Trailing Returns are consistent for both managers. **Page 4** – Calendar Year Returns there are very little variance in either manager. **Page 5** – Risk Returns – Orleans is a little less volatile but both are solid managers. **Page 6** Statistics – Both are positive; however, Orleans is a little more favorable. **Pages 7 & 8** Chartwell Philosophy / **Page 9 & 10** Orleans Philosophy. – Both are very solid managers with long term investors. They both have experience in accessibility to accounts the size of the City of Marietta.

Scott and Ian expressed that they are comfortable with either manager. Scott confirmed that they are both net of fees.

3. **3rd Quarter Investment Performance**
(Continued)

Ian Janecek/Scott Arnwine – GAVION

Chairperson Lockhart called for a motion to replace MacKay Shields. Ian stated that it may take a little over a month to process the proposed change in managers.

MOTION

Liquidate / Replace MacKay Shields – Core Fixed Income fund

Member Zerbe made the motion to liquidate MacKay Shields and replace with Orleans Capital Management.

Second to the motion by Member Goldstein.

Unanimous by the Board.

At this time Chairperson Lockhart called for a change in the order of Agenda items in effort to remain on schedule with the Lunch & Learn. (1; 2; 3; 6; 5; 4; 7; 8; 9)

6. **Retirement Applications**

Shannon Barrett

- A. Boatwright, Melvin L. – 4022 Plan, Terminated Vested Early Retirement.
Single Life Benefit. Effective 10-01-2013. Monthly benefit \$39.68.
Employed 05-14-1979 to 06-13-1984, 5 years 1 month - Maintenance Worker.
- B. Goss, Stephen M. – 4022 Plan, Unreduced Early Retirement.
Alternate Magic 80 Single Life Benefit. Effective 10-01-2013. Monthly benefit \$2,903.65.
Employed 07-16-1984 to 09-30-2013, 29 years 2 months - Police Officer.
- C. Lahey, Cheryl F. – Consolidated Plan, Unreduced Early Retirement.
Single Life Benefit. Effective 10-01-2013. Monthly benefit \$3,137.22.
Employed 08-09-1982 to 09-30-2013, 31 years 1 month - Inspector.
- D. Rakestraw, Mark D. – Consolidated Plan, Terminated Vested Early Retirement.
Single Life Benefit. Effective 10-01-2013. Monthly benefit \$725.50.
Employed 08-14-1990 to 09-17-2004, 14 years 1 month - Line Worker in Electrical Department.
- E. Bahner, Shirley D. – Consolidated Plan, Normal Retirement.
Single Life Benefit. Effective 11-01-2013. Monthly benefit \$1,058.35.
Employed 07-14-1997 to 10-31-2013, 16 years 3 months. Administrative Assistant II - Finance.
- F. Evatt, Thomas J. – 4022 Plan, Unreduced Early Retirement.
Alternate Magic 80 Single Life Benefit. Effective 11-01-2013. Monthly benefit \$2,919.05.
Employed 05-10-1984 to 10-31-2013, 29 years 5 months - Firefighter I.
- G. McGuirt, Jerry R. – Consolidated Plan, Unreduced Early Retirement.
50% Pop-up Joint and Survivor Benefit. Effective 12-01-2013. Monthly benefit \$3,625.39.
Employed 08-11-1972 - 01-04-1978 and 01-05-1981 - 11-29-2013, 38 years 3 months.
Supervisor Meters Services
- H. Tucker, Scott W. – 4022 Plan, Unreduced Early Retirement.
Alternate Magic 80 Single Life Benefit. Effective 12-01-13. Monthly benefit \$5,027.93.
Employed 07-08-1982 to 11-29-2013, 31 years, 4 months - Assistant Fire Chief /Fire Marshal.

6. **Retirement Applications**
(Continued)

Shannon Barrett

MOTION

Approval of Retirement Applications

Member Echols made the motion to approve the Retirement Applications as presented by Shannon Barrett A thru H.

Second to the motion by Member Morgan.

Unanimous by the Board.

5. **Disability Retirement Application**
Executive Session – Ref Personnel Matter

Shannon Barrett

MOTION

Executive Session – Personnel Matter

Member Goldstein made the motion at 10:10 am to go into Executive Session.

Second to the motion by Member Bruton.

Unanimous by the Board.

MOTION

Executive Session – Personnel Matter

Member Goldstein made the motion at 10:18 am to go out of Executive Session.

Second to the motion by Member Echols.

Unanimous by the Board.

MOTION

Disability Application

Member Goldstein made the motion to approve the Disability Application submitted by Mr. Thomas Carson.

Second to the motion by Member Hathaway

Unanimous by the Board.

4. **3rd Quarter Performance**
Supplemental Pension Plan

Jackie Deckman – Principal
(Jackie will not be in attendance)

As Ms. Deckman was not present at the meeting – she did submit a commentary summary along with her presentation. Chairperson Lockhart asked at this time that the Board read the commentary. Secretary Barrett commented that Jackie had indicated to her that the commentary and report results for the quarter were positive.

Chairperson Lockhart asked if there any questions or comments in reference to the Supplemental Pension Plan report. As there were none he asked that we move on to item number 7.

7. **New Business**

Chairperson Lockhart

Chairperson Lockhart proposed that the next meeting be scheduled for:

Wednesday, February 12, 2014
9:00 AM
4th Floor Conference room

Secretary Barrett notified the Board that it is time for the General Employees and Police elections for members to the Pension Board. Barry Echols' seat expires on 12.31.13 and Tim Milligan's seat also expires on 12.31.13. Elections will be held On Thursday, November 21, 2013. Nominations for the seats will be finalized 11.13.13.

The police department will hold the election of a representative from their department. At this time Member Hathaway announced that he will not serve another term on the Pension Board. The Board expressed their appreciation for his dedication, contributions and service on the Pension Board.

Questions were brought up about the pension calculation update on-line version. Member Lockhart stated that it is a work in progress. It was suggested that Rick Steffes and Judy Burnette present a demo and update on the status at the next meeting.

At this time, 10:35 am, Chairperson Lockhart called for a recess. He asked that members return at 11:25 am for the Lunch & Learn session.

8. **Lunch & Learn**

Ian Janecek/Scott Arnwine - GAVION
Ed Koebel Cavanaugh Macdonald Consulting

PRESENTATION
ACTUARIAL / PENSIONS

Chairperson Lockhart opened the Lunch & Learn with two (2) slides entitled entitled:

- You can make money in any market IF....you are on the right side of the trade
- Meeting Our Fiduciary Responsibility

He then turned the presentation over to Mr. Koebel.

Mr. Koebel, Actuary for the City of Marietta / Cavanaugh Macdonald Consulting, LLC began by addressing the subject of Actuarial Present Value.

8. **Lunch & Learn**
(Continued)

Ian Janecek/Scott Arnwine - GAVION
Ed Koebel Cavanaugh Macdonald Consulting

Actuarial Present Values

Mr. Koebel provided the Pension Board members with a handout reference to background information on preparation for liabilities.

- Funding Ratio is to be established
- Page 2 – Example (1 person) / Observation
- Page 3 – Example / (100 people) / Observation
- Page 4 – Events to Consider in Actuarial Present Value
- Page 5 – Basic Retirement Formula

General discussions were held in reference as to how to get to and stay fully funded. Mr. Koebel stated that cash flow is a big component, as well as monitoring the status of the plan from year to year.

Sam Lady questioned if the Experience Study should be done using the SEGAL 2009 study? Mr. Koebel responded yes, that the experience study seems reasonable and he would analyze the data and then do an experience study on the past five (5) years. Sam Lady stated that we need to get a two (2) year study and we need to decide if we want to pay for one. Mr. Koebel suggested that it be done within the next (2) years. He stated that the City fund is sound and "Actuarially Safe."

There were questions in reference to the assumption rate. Member Bruton asked when is the next valuation and when will we get it? Sam Lady replied most likely in the spring. Mr. Koebel said the approximate cost for an Experience Study would be in the \$17,000 – \$20,000 range. Sam Lady commented that we also need a survey based on the universe.

The Lunch & Learn concluded at 12:50 pm.

Thanks were conveyed to Ian Janecek & Scott Arnwine of GAVION for the providing pizza for the ***Lunch & Learn!***

9. **Adjourn**

Chairperson Lockhart called for a motion to adjourn at 12:55 pm.

MOTION

Adjourn

Member Milligan made the motion to adjourn.
Second to the motion by Member Echols

Unanimous by the Board.

PENSION BOARD MEETING

**Wednesday, November 13, 2013
9:00 AM – Fourth Floor Conference Room**

APPROVED THIS 12 DAY OF JUNE, 2013 ~~2014~~ *gh*

Eric Lockhart
Eric Lockhart, Chairperson, Pension Board

ATTEST: *Elizabeth Hammock*
Elizabeth Hammock, Administrative Assistant II – Human Resources